

So Ordered.

Dated: August 13th, 2020



*Frederick P. Corbit*

Frederick P. Corbit  
Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON

In re:

SAJID A. RAVASIA and DEBRA J.  
RAVASIA,

Debtors.

GREGORY M. GARVIN, Acting  
United States Trustee,

Plaintiff,

v.

SAJID A. RAVASIA and DEBRA J.  
RAVASIA,

Defendants.

Case No. 17-00106-FPC

Adversary No. 17-80021-FPC

**FINDINGS OF FACT,  
CONCLUSION OF LAW, AND  
ORDER DENYING CHAPTER 7  
DISCHARGE**

**I. SUMMARY**

The United States Trustee requests that this court deny husband and wife Debtors Sajid and Debra Ravasia a Chapter 7 discharge of their debts. At trial, the United States Trustee argued that the Ravasias, both medical doctors, made multiple

1 material misrepresentations about their financial situation in order to mislead  
2 creditors, the Chapter 7 Trustee, and the United States Trustee. In particular, the  
3 United States Trustee argued that the Ravasias intentionally misrepresented in their  
4 bankruptcy schedules their combined gross income as \$26,818.05 per month, even  
5 though the doctors' combined average gross income in 2016—the year before they  
6 filed bankruptcy—was approximately \$43,659<sup>1</sup> per month, and in 2017—the year in  
7 which they filed bankruptcy—their income was approximately \$54,015 per month.<sup>2</sup>

8         Moreover, the United States Trustee argued that the Ravasias'  
9 misrepresentations were material because, if the Ravasias had provided accurate  
10 financial information, interested parties would have petitioned this court to convert  
11 the Ravasias' Chapter 7 case to Chapter 11 where, before receiving a discharge of  
12 their debts, the Ravasias would have had to propose a plan of reorganization to pay  
13 at least a portion of what they owed their creditors.

14         The United States Trustee has proven its case. Therefore, since “[t]he  
15 principal purpose of the Bankruptcy Code is to grant a ‘fresh start’ to the ‘honest but  
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18 <sup>1</sup>The Ravasias' 2016 joint tax return, Form 1040 at line 7, indicates annual “wages,  
19 salaries, tips, etc.” of \$523,913 (Ex. 12). The monthly average is \$43,659.42.

20 <sup>2</sup> The Ravasias' 2017 joint tax return, Form 1040 at line 7, indicates annual “wages,  
salaries, tips, etc.” of \$648,181 (Ex. 13). The monthly average is \$54,015.08.

1 unfortunate debtor,”<sup>3</sup> rather than to people who “knowingly and fraudulently ... in  
2 connection with ... [their bankruptcy] case [make] a false oath or account,”<sup>4</sup> the  
3 Ravasias’ Chapter 7 discharge of debts is denied.

## 4 **II. INTRODUCTION**

5 This adversary case was based on the Amended Complaint filed August 27,  
6 2019, by the United States Trustee against Debtors Sajid A. Ravasia and Debra J.  
7 Ravasia. (Adversary Case No. 17-80021, ECF No. 115). The trial took place on July  
8 15, 16, and 17, 2020. The Court considered the live testimony of Chapter 7 Trustee  
9 John Munding, Brian Moran, Sajid Ravasia, Debra Ravasia, and John Omlin, CPA;  
10 the depositions of Edward TrueLove and Peter Sommerville; the admitted exhibits;  
11 and the closing arguments of counsel on July 29, 2020. Based on the foregoing, the  
12 Court enters the following findings of fact, conclusions of law, and order:

## 13 **III. FINDINGS OF FACT**<sup>5</sup>

14 1. Debtor Sajid Ravasia is a psychiatrist, and co-debtor Debra Ravasia is  
15 an obstetrician/gynecologist.

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17 <sup>3</sup> *Marrama v. Citizens Bank of Massachusetts*, 549 U.S. 365, 367 (2007)(quoting  
18 *Grogan v. Garner*, 498 U.S. 279, 286 (1991)).

19 <sup>4</sup> 11 U.S.C. § 727(a)(4)(A).

20 <sup>5</sup> Where a finding of fact is actually a conclusion of law, it shall be treated as such  
and vice versa.

1           2.     The Ravasias filed a petition for Chapter 7 bankruptcy relief on January  
2 19, 2017. (ECF No. 1). Sajid Ravasia testified that in the bankruptcy petition  
3 schedules and statement of financial affairs, he is alternatively referred to as  
4 “Debtor,” and “Debtor 1,” and Debra Ravasia is alternatively referred to as “Co-  
5 Debtor” and “Debtor 2.”<sup>6</sup>

6           3.     On June 5, 2017, John D. Munding, the Chapter 7 Trustee, filed a  
7 timely Complaint Objecting to Discharge under 11 U.S.C. §727(a). (Adversary Case  
8 No. 17-80021, ECF 1).

9           4.     After the Chapter 7 Trustee settled certain issues with the Debtors, the  
10 United States Trustee was substituted as the Plaintiff in the adversary case.  
11 (Adversary Case No. 17-80021, ECF 20). On August 27, 2019, the United States  
12 Trustee filed United States Trustee’s Amended Complaint Objecting to Discharge,  
13 pursuant to 11 U.S.C. Sections 727(a)(2) and (a)(4). (Adversary Case No. 17-80021,  
14 ECF 115).

15           5.     The Amended Complaint alleges that the Debtors made multiple  
16 material misrepresentations about their financial situation in order to mislead the  
17 court and creditors about their ability to repay their debts.

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19 <sup>6</sup> Because each debtor is a doctor, references to the Ravasias will forgo the honorific  
20 and instead use the particular debtor’s first name for the sake of clarity. No  
disrespect is intended.

1           6.     In the Amended Complaint, the United States Trustee alleged that the  
2 Debtors provided false oaths related to: (1) each Debtor's income; (2) Debtors'  
3 estimate of post-petition monthly expenses; (3) Debtors' estimate of unsecured debt;  
4 and (4) the Debtors' conduct surrounding a ski condominium they sold to Debra  
5 Ravasia's father.

6           7.     At trial, the Debtors did not object to the introduction of evidence  
7 related to their representations about an anticipated 2016 tax refund on their  
8 Schedules and in the 341 Meeting of Creditors.

9           8.     At the conclusion of the trial, citing Rule 7015(b)(2), the United States  
10 Trustee moved to modify the pleadings to conform to the evidence presented at trial.  
11 (Adversary Case No. 18-80021, ECF No. 171). Specifically, the United States  
12 Trustee requested the Complaint be amended to include a fifth category of false oath  
13 on the Schedules related to Debtor's alleged misrepresentations about their  
14 anticipated 2016 income tax refund.

15           9.     Debra Ravasia objected<sup>7</sup> to the amendment but acknowledged that the  
16 issue of whether the Debtors made a false oath related to the 2016 anticipated tax  
17 refund was litigated at trial. (Adversary Case No. 17-80021, ECF No. 172).

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20 <sup>7</sup> At trial, the debtors were represented by separate counsel.

1 **INCOME – SAJID RAVASIA**

2 10. Debtors seeking Chapter 7 protection must complete “Schedule I: Your  
3 Income.” On this form, part 2, the instructions state:

4 Estimate monthly income as of the date you file this form... List the  
5 monthly gross wages, salary and commissions (before all payroll  
6 deductions). If not paid monthly, calculate what the monthly wage  
7 would be.

8 Debtors listed monthly gross wages for Sajid Ravasia as \$26,818.05 and monthly  
9 gross wages for Debra Ravasia as \$0. After Sajid Ravasia’s payroll deductions,  
10 Debtors listed a net monthly income of \$11,487.09. (ECF No. 1-3 at pp. 41-42).

11 11. Part 2 of Schedule I, line 3 provides a line for debtors to “estimate and  
12 list monthly overtime pay.” The Ravasias entered \$0 for Sajid Ravasia. Similarly,  
13 Part 2, line 8h provides a line for “other monthly income.” The Ravasias entered \$0  
14 for Sajid Ravasia. (ECF No. 1-3 at pp. 41-42).

15 12. Prior to filing for bankruptcy, Debra Ravasia was the principal of both  
16 Northwest Health Summit and Ajuva Spa. The businesses of Northwest Health  
17 Summit and Ajuva Spa failed in 2016 and caused Sajid and Debra Ravasia to  
18 personally file for bankruptcy. Additionally, for Debra Ravasia to be gainfully  
19 employed as a doctor after the business failures, she had to travel outside of the  
20 United States to gain recent experience delivering babies so that she could work as  
an obstetrician/gynecologist in the United States and Canada.

1           13. In response to Schedule I, question 13, that states “[d]o you expect an  
2 increase or decrease [in income] within the year after you file this form,” Debtors  
3 checked the “yes” box, and explained simply: “Co-debtor [Debra Ravasia] is looking  
4 for work.” (ECF No. 1-3 at p.42). The Debtors provided no explanation that Sajid  
5 Ravasia’s income would increase and exceed the \$26,818.05 per month figure  
6 provided in response to Question 2.

7           14. On May 28, 2019, more than eighteen months after the adversary action  
8 was commenced, Debtors amended Schedules I and J. (ECF 179). On the Amended  
9 Schedules, the Debtors represented Sajid Ravasia’s gross monthly wage as  
10 \$20,630.40, even less than originally reported. After deductions, the Ravasias  
11 represented Sajid’s net monthly income as \$10,285.56. The Amended Schedules  
12 represented Debra Ravasia’s income was still \$0, omitting her significant earnings  
13 from 2017. (ECF 179, pp. 2-3).

14           15. In the Amended Schedules, the Debtors reported monthly business  
15 losses of \$23,588.17, and thus had a net negative monthly income of -\$13,302.62.

16           16. Amended Schedule I included an Attachment entitled “Attachment 1 –  
17 Explanation of [Sajid Ravasia’s] Compensation at the Time of Filing and  
18 Expectations Going forward at the Time of Filing,” that stated:

19                   With [Debra Ravasia] about to leave the country for an undefined  
20                   amount of time, possibly many months, [Sajid Ravasia] was  
                    about to become a solo parent. As such, [Sajid Ravasia] could no  
                    longer count on having time available to do extra shifts or make

1 extra RVU income, even if those continued to be an option at  
2 Providence. [Sajid Ravasia] was expecting to make what an  
3 average psychiatrist in this area of the country makes (i.e., the  
4 base salary for full time work - \$250,000) but was not at all sure  
5 he would have time available to continue to work more than that.  
6 Benchmarks for what the average full-time psychiatrist is paid  
7 nationally and in Western Washington are shown in Appendix 2  
8 and are in line with Providence's salary of \$250,000 for full time  
9 work. Any other income is simply a bonus, and at the time of  
10 filing [Sajid Ravasia] was not expecting to be able to work any  
11 more than a regular full-time workload at a regular full-time  
12 salary.

13 (ECF No. 179 at p.4).

14 17. Sajid Ravasia testified that he has worked at Providence for  
15 approximately 15 years and that he completed Schedule I related to his income. He  
16 said he understood that he was supposed to estimate his monthly income on the date  
17 he filed for bankruptcy, in other words, for the month of January, 2017.

18 18. Sajid Ravasia also testified that for several years, Providence had a  
19 severe shortage of psychiatric doctors, so a significant portion of his income was  
20 earned seeing patients who should have been assigned to other doctors. Also, he  
testified that Providence planned to hire additional psychiatrists whose presence  
would eliminate Sajid's extra shift pay and thus reduce his income. Sajid testified  
that, at the time of the Ravasias' petition, he anticipated that in 2017 he would  
receive nothing more than his base salary of \$250,000.



1           19. Sajid Ravasia testified that he did not know how much his bonus would  
2 be, and he did not know if there was place to provide bonus information on Schedule  
3 I. He acknowledged that while in the short term he expected Debra Ravasia would  
4 be in Afghanistan with a non-profit that paid a minimal stipend, he did not expect  
5 that she would be volunteering forever.

6           20. Sajid Ravasia also testified that he took two weeks off work in  
7 December 2016 and January 2017. (Ex. 6, p. 24). He admitted his income in the first  
8 two weeks January, 2017 was lower than his income in every other month in 2017.  
9 He explained that his income increased later in 2017 because by March or April of  
10 2017 he took on additional adolescent cases, and in August, his employer lost two  
11 psychiatrists, thus leaving the department understaffed.

12           21. Sajid Ravasia provided several months' worth of 2016 pay stubs to the  
13 Chapter 7 Trustee shortly after the bankruptcy petition was filed. The pay stubs  
14 covered the period from April 30 through October 15, 2016. (Ex. 8). Brian Moran, a  
15 financial analyst in the United States Trustee's office, examined Sajid Ravasia's pay  
16 stubs and testified at trial that the paystubs revealed an average gross income of  
17 \$47,359.02 per month. (Ex. 9, p.1).

22. Sajid Ravasia's W-2 wage and tax statements for 2013 through 2016 reveal Sajid Ravasia's gross annual wages<sup>8</sup> as follows:

- 2013: \$575,641
- 2014: \$569,946
- 2015: \$530,503.99
- 2016: \$481,268.00

(Ex. 147).

23. Sajid Ravasia's 2017<sup>9</sup> W-2 wage and tax statement indicates his gross annual wages were \$668,123. (Ex. 11).

24. On April 26, 2019, the Debtors testified at a second 341 Meeting of Creditors. In the hearing, the United States Trustee pointed out that Sajid Ravasia's 2016 W-2 revealed he grossed \$480,000 per year, which averages \$40,000 per month. (Ex. 27, p. 67). The United States Trustee asked why the Ravasias estimated Sajid's gross income at \$27,000 per month on Schedule I. Both Ravasias testified

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<sup>8</sup> The wages stated are from the W-2 Box 5, wages subject to Medicare taxes.

<sup>9</sup> On July 14, 2020, Debtor Debra Ravasia filed a Motion in Limine seeking to exclude non-party witnesses from the courtroom during other witness' testimony and to exclude reference to debtors' post-petition income because it was irrelevant. (Adv. Case no. 17-80021, ECF 160). The court granted the motion to exclude witnesses and took under advisement the motion to exclude evidence of Debtors' 2017 income. During the trial, the motion to exclude evidence of Debtors' 2017 income became moot when Debra and Sajid Ravasia presented evidence of their 2017 income.

1 that it appeared that the calculation used only Sajid Ravasia's annual base salary of  
2 \$250,000 and the calculation did not include his "bonuses." (Ex. 27, p. 68). The  
3 Ravasias said they relied upon their lawyer to complete the schedules, but the  
4 Ravasias also acknowledged that they reviewed the schedules before they signed  
5 them. (Ex. 27, p. 69).

6 25. At the same Section 341 Meeting of Creditors, Sajid Ravasia  
7 acknowledged that his income was more in 2017 than in 2016, and he explained that  
8 his income has "been on a steady slope upwards for the last two to three years"  
9 because Providence was unable to retain psychiatrists. (Ex 27, pp.70-71). Sajid  
10 Ravasia characterized Providence's plan to have its psychiatric department fully  
11 staffed in 2017 "a fantasy." *Id.*

12 26. Sajid Ravasia also testified at the Section 341 Meeting of Creditors that  
13 the Ravasias realized around the third week of July, 2017, when he received his  
14 bonus, that his income significantly exceeded the amount reported on Schedule I.  
15 (Ex. 27, p. 76). Sajid Ravasia said that he believed they informed his lawyer about  
16 his increased income, and Debra Ravasia testified that she understood the Debtors  
17 had no "ongoing reporting requirement." (Ex. 27, pp. 76-77).

18 27. The Debtors' Schedule I, that was filed on January 19, 2017, and the  
19 Amended Schedule I filed May 28, 2019, both indicated Sajid Ravasia's income was  
20 substantially less than the income he earned in each of the several years before he

1 filed and after he filed bankruptcy. Also, the Debtors failed to indicate on the  
2 original or the Amended Schedule I, line 13 that Sajid Ravasia's income could  
3 increase (and in fact, had increased substantially) within the year of filing the form.  
4 These repeated misrepresentations and omissions of Sajid's income were materially  
5 false.

6 28. John Munding, the Chapter 7 Trustee who initially filed the adversary  
7 lawsuit against the Debtors testified that if the Debtors had not misrepresented their  
8 income, he would have handled the case differently.

9 29. The fact that Sajid Ravasia's income on Schedule I was substantially  
10 under-reported should have been, and in fact admittedly was, evident to the  
11 Ravasias, and thus the Debtors' false oath related to Sajid Ravasia's income was  
12 made knowingly, deliberately and consciously.

13 30. The United States Trustee established by a preponderance of the  
14 evidence that the Debtors failed to update their schedules with accurate income  
15 information for Sajid Ravasia. Instead, the Amended Schedules continued to reflect  
16 a dramatic under-reporting of Sajid's income. The Debtors acted with intent to  
17 deceive interested parties about the income earned by Sajid Ravasia.

18 **INCOME – DEBRA RAVASIA**

19 31. Prior to the business failures of Northwest Health Summit and Ajuva  
20 Spa, Debra Ravasia earned substantial income. However, at trial, Debra Ravasia

1 testified that at the time she and her husband petitioned for bankruptcy, she was “not  
2 terribly employable.” She had no realistic job prospects in December 2016, and she  
3 was not working in January 2017. She testified that throughout much of 2017, she  
4 was looking for work and filling in for various physicians on leave, and that this  
5 work was unsteady and not assured.

6 32. The evidence reveals Debra Ravasia had significant income beginning  
7 as early as May, 2017. At trial, Debra Ravasia acknowledged her gross wages in  
8 2017 per month were:

- 9 • January \$0
- 10 • February \$332
- 11 • March \$1,394
- 12 • April \$574
- 13 • May \$9,690
- 14 • June \$9,430
- 15 • July \$23,413
- 16 • August \$55,886
- 17 • September \$41,607
- 18 • October \$54,103
- 19 • November \$41,527
- 20 • December \$22,506.

(Ex. 180).

33. Mr. Moran’s analysis of the Debtors’ 2017 tax return revealed that over  
eight months in 2017, Debra Ravasia’s gross average income was \$32,558 per  
month, and her net average income was \$15,474 per month. (Ex. 9, p.2).

1           34.    In 2017, Debtors reported on their joint tax return Form 1040 combined  
2 gross income from wages, salaries and tips of \$648,181. (Ex. 103).

3           35.    Mr. Moran's analysis of the Debtors' bank deposit information revealed  
4 total 2017 deposits of \$967,127.31, and that after deductions, the Debtors' average  
5 2017 bank deposits was \$69,204.86 per month. (Ex. 9, p. 2).

6           36.    Mr. Moran testified that if the United States Trustee was informed of  
7 Debra Ravasia's actual income at the time debtors completed their schedules or  
8 amended schedules, the United States Trustee's office would have conducted  
9 additional inquiry in the case.

10          37.    The Debtors' Schedule I, filed on January 19, 2017, that indicated  
11 Debra Ravasia's income as \$0 was not materially false because, at that time, she did  
12 not have regular income and she was looking for work.

13          38.    To the extent Debra Ravasia testified that she was not employable and  
14 her income was always uncertain, the court finds her testimony not credible.

15          39.    The Debtors' May 28, 2019, Amended Schedule I that continued to list  
16 Debra Ravasia's income as \$0 was materially false because as early as May, 2017,  
17 Debra Ravasia had substantial monthly earnings. Debra Ravasia may have been  
18 looking for work in January, 2017, but as early as May, 2017, she had found it.

19          40.    The fact that Debra Ravasia's reported income of \$0 per month on  
20 Amended Schedule I was false was evident to the Ravasias. The United States

1 Trustee established by a preponderance of the evidence that this false oath was made  
2 knowingly, deliberately and consciously. The Debtors acted with intent to deceive  
3 interested parties about the income earned by Debra Ravasia.

4 **ON-GOING EXPENSES**

5 41. Chapter 7 Debtors must also estimate on-going expenses on Schedule J,  
6 Part 2. On this form, Debtors entered dollar amounts for categories of expenses  
7 including real estate taxes, home maintenance, utilities, food, housekeeping,  
8 children's education, clothing, personal products, medical expenses, car payments,  
9 entertainment, and insurance. The Debtors' estimated expenses totaled \$26,805.06  
10 per month. The Debtors' expenses were greater than their reported income by  
11 \$15,317.97 per month. (ECF No. 1-3, pp. 43-45).

12 42. Chapter 7 Trustee John Munding testified that the Debtors' "lifestyle  
13 numbers did not equal what their lifestyle cost." Additionally, he testified that the  
14 Debtors continued to use and pay credit cards that were not listed on Schedule J, and  
15 to pay other expenses that were not listed or disclosed.

16 43. During the April 26, 2019, Section 341 Meeting of Creditors, Sajid  
17 Ravasia acknowledged that the expenses listed in Schedule J was an  
18 underestimation. (Ex. 27, pp.71-72). Debra Ravasia, at the same hearing, stated that  
19 the expenses listed on Schedule J were never intended to be a forecast of anticipated  
20 living expenses:

1 DEBRA RAVASIA: ...at the time we filed in that moment,  
2 that was what our expenses were. We understood that if it had  
3 been a Chapter 11 making a predictive projective [sic] what  
4 will this be was [sic]...was needed. This was not intended as a  
5 projection. This was intended as [an] in this moment on the  
6 day we filed the Chapter 7 what are our expenses on this day.  
7 We had no idea what would...what to expect going forward.  
8 This is what they were on that day.

9 JIM PERKINS: Are you suggesting that you don't think the  
10 Schedule J here at part of Ex. 6 is an accurate forecast of your  
11 expected living expenses?

12 DEBRA RAVASIA: It wasn't built as a forecast. It was built  
13 as a...as best we know what our expenses are at this moment at  
14 the time of filing a Chapter 7 this is as much as we knew about  
15 what our expenses were at that moment. We knew nothing  
16 about what they would be going forward. There were so many  
17 things to adjust, and it was very complicated.

18 (Ex. 27, pp. 72-73).

19 44. Sajid Ravasia admitted at trial that schedule J did not accurately reflect  
20 the household expenses at the time of filing or expenses anticipated for the next  
year. He testified that the Debtors did not know what to expect, but they did expect  
that they would spend substantially more than they represented on schedule J.

45. At trial, the United States Trustee introduced evidence that in 2017 the  
Ravasias received a combined net income of approximately \$550,000 and they spent  
substantially all of this income, or an average of \$45,000 per month, as compared to  
the \$26,000 Debtors reported as monthly expenses in Schedule J.

46. The Ravasias' misrepresentation of their ongoing household expenses is  
a material misrepresentation.



1           47. The Debtors acknowledged that their estimate of on-going household  
2 expenses reported on their schedules was inaccurate. The United States Trustee  
3 established by a preponderance of the evidence that the Ravasias' misrepresentations  
4 about their monthly expenses was a material fact, made knowingly, deliberately and  
5 consciously.

6 **REMAINING FALSE OATHS, CONCEALMENT**

7           48. The United States Trustee also alleged that the Ravasias made  
8 additional false oaths on their Schedules related to the amount of their unsecured  
9 debt, their 2016 income tax refund, and their conduct related to a ski condominium  
10 that they sold to Debra Ravasia's father. The court does not need to address these  
11 additional allegations in light of the court's findings of fact and conclusions of law  
12 regarding the Ravasias' false oaths related to income and expenses.

13 **IV. CONCLUSIONS OF LAW**

14           1. The Court has jurisdiction over this adversary proceeding  
15 pursuant to 28 U.S.C. §§157 and 1334.

16           2. This is a core proceeding pursuant to 28 U.S.C. §157(b)(2)(J).

17           3. Pursuant to Section 727(c)(1) of the Bankruptcy Code, the  
18 United States Trustee has standing to bring this action.

19           4. Under Federal Civil Rule of Procedure 15(b)(2), "[w]hen an  
20 issue not raised by the pleadings is tried by the parties' express or implied

1 consent, it must be treated in all respects as if raised in the pleading.”

2 Additionally, “[a] party who knowingly acquiesces in the introduction of  
3 evidence relating to issues that are beyond the pleadings is in no position to  
4 contest a motion to conform.” 6A Charles Alan Wright & Arthur R. Miller,  
5 Federal Practice and Procedure § 1493 (3d ed. 1998).

6 5. Because the Debtors did not object to the introduction of  
7 evidence related to the anticipated 2016 tax refund, the Complaint is deemed  
8 amended to include the Ravasias’ representations about the 2016 tax refund  
9 as a basis for a false oath.

10 6. The general policy of bankruptcy law favors allowing an honest  
11 debtor to discharge debts and to make a fresh start free from the burden of  
12 past indebtedness. *See Lines v. Frederick*, 400 U.S. 18, 19 (1970). Because a  
13 debtor in bankruptcy is assumed to be poor but honest, a presumption exists  
14 that all debts are dischargeable unless a party who contends otherwise  
15 proves, with competent evidence, an exception to discharge. *See Brown v.*  
16 *Felsen*, 442 U.S. 127, 128-29 (1979). Only the “honest but unfortunate”  
17 debtor is entitled to an entirely unencumbered fresh start. *Marrama*, 549  
18 U.S. at 374; *Grogan*, 498 U.S. at 286-87; *In re Apte*, 96 F.3d 1319, 1322  
19 (9th Cir. 1996)(dishonest debtor will not benefit from his wrongdoing). The  
20

1 opportunity to obtain a fresh start “is conditioned upon truthful disclosure.”

2 *In re Wills*, 243 B.R. 58, 63 (B.A.P. 9th Cir. 1999).

3 7. When determining the credibility of witnesses, the bankruptcy  
4 court, as the trier of fact, has the opportunity to note “variations in demeanor  
5 and tone of voice that bear so heavily on the listener's understanding of and  
6 belief in what is said.” *Anderson v. City of Bessemer City*, 470 U.S. 564, 575  
7 (1985).

### 8 **FALSE OATH**

9 8. The court shall grant a debtor a discharge unless an exception  
10 listed in 11 U.S.C. §727(a) applies. One exception that prevents discharge is  
11 where a debtor “knowingly and fraudulently, in or in connection with the  
12 case ... made a false oath or account.” 11 U.S.C. §727(a)(4)(A).

13 9. The primary purpose of the “false oath” discharge exception is  
14 to ensure that dependable information is supplied for those who are  
15 interested in administration of a bankruptcy estate without the need for  
16 trustee or other interested parties to dig out the true facts in examinations or  
17 investigations. *In re Pansier*, 613 B.R. 119, 159 (Bankr. E.D. Wis. 2020).

18 10. “Every debtor has a continuing duty to assure the accuracy and  
19 completeness of schedules. Postpetition discovery of rights that actually  
20 existed at the time of filing must be addressed in the schedules. This implies

1 a duty to amend.” *In re Searles*, 317 B.R. 368, 378 (B.A.P. 9th Cir. 2004),  
2 aff’d, 212 F. App’x 589 (9th Cir. 2006). “The continuing nature of the duty to  
3 assure accurate schedules of assets is fundamental because the viability of  
4 the system of voluntary bankruptcy depends upon full, candid, and complete  
5 disclosure by debtors of their financial affairs.” *Id.*

6 11. “Generally, a debtor who acts in reliance on the advice of his  
7 attorney lacks the intent required to deny him a discharge of his debts.” *In re*  
8 *Adeeb*, 787 F.2d 1339, 1343 (9th Cir. 1986). “However, the debtor’s reliance  
9 must be in good faith.” *Id.* “The advice of counsel is not a defense when the  
10 erroneous information should have been evident to the debtor.” *In re Retz*,  
11 606 F.3d 1189, 1199 (9<sup>th</sup> Cir. 2010). “A debtor cannot, merely by playing  
12 ostrich and burying his head deeply enough in the sand, disclaim all  
13 responsibility for statements which he has made under oath.” *Id.* (*quoting*  
14 *Boroff v. Tully*, 818 F.2d 106, 111 (1st Cir.1987).

15 12. Courts construe Section 727 liberally in favor of debtors and  
16 strictly against parties objecting to discharge. *Bernard v. Sheaffer*, 96 F.3d  
17 1279, 1281 (9th Cir.1996). This means that “actual, rather than constructive,  
18 intent is required” on the part of the debtor. *In re Khalil*, 379 B.R. 163, 172  
19 (B.A.P. 9th Cir. 2007), aff’d, 578 F.3d 1167 (9th Cir. 2009).

1           13. To prevail on a Section 727(a)(4)(A) claim, a plaintiff must  
2 establish, by a preponderance of the evidence, four elements: (1) the debtor  
3 made a false oath in connection with the case; (2) the false oath related to a  
4 material fact; (3) the false oath was made knowingly; and (4) the false oath  
5 was made fraudulently. *In re Retz*, 606 F.3d at 1197; *Roberts v. Erhard*, 331  
6 B.R. 876, 882 (9th Cir. BAP 2005).

7           14. “A false statement or an omission in the debtor's bankruptcy  
8 schedules or statement of financial affairs can constitute a false oath.” *In re*  
9 *Roberts*, 331 B.R. at 882; *see also In re Searles*, 317 B.R. at 377. False  
10 statements about a debtor’s income and expenses constitute a “false oath.” *In*  
11 *re Khalil*, 379 B.R. at 172(income); *In re Turner*, 335 B.R. 140, 148-49  
12 (Bankr. N.D. Cal 2005)(expenses).

13           15. The second element necessary to establish a Section  
14 727(a)(4)(A) claim requires that the false oath relate to a material fact. *In re*  
15 *Roberts*, 331 B.R. at 882. “A fact is material ‘if it bears a relationship to the  
16 debtor's business transactions or estate, or concerns the discovery of assets,  
17 business dealings, or the existence and disposition of the debtor's property.’”  
18 *In re Khalil*, 379 B.R. at 173 (*quoting In re Wills*, 243 B.R. at 62). An  
19 omission or misstatement that “detrimentally affects administration of the  
20

1 estate” is deemed material. *In re Wills*, 243 B.R. at 63 (citing 6 Lawrence P.  
2 King et al., COLLIER ON BANKRUPTCY ¶ 727.04(1)(b) (15th ed. rev.1998)).

3 16. The third element in establishing a Section 727(a)(4)(A) claim  
4 is that the debtor makes the false oath knowingly. A debtor acts knowingly  
5 when the debtor “acts deliberately and consciously.” *Roberts*, 331 B.R. at  
6 883; *Retz*, 606 F.3d at 1198 (debtor’s signing of schedules when he knew the  
7 information was incomplete was enough to support finding that debtor acted  
8 knowingly).

9 17. The fourth and final element that an objecting party must  
10 establish in a Section 727(a)(4)(A) claim is that debtor’s false oath was  
11 made fraudulently. Intent is usually proven by circumstantial evidence or by  
12 inferences drawn from the debtor's conduct. *Retz*, 606 F.3d at 1198-99;  
13 *Devers v. Bank of Sheridan, Mont.*, 759 F.2d 751, 753–54 (9th Cir.1985);  
14 *see also In re Roberts*, 331 B.R. at 884.

15 18. Reckless indifference or disregard for the truth may be  
16 circumstantial evidence of intent, but is not sufficient, alone, to constitute  
17 fraudulent intent. *Retz*, 606 F.3d at 1199; *In re Khalil*, 379 B.R. at 173-75.

18 19. “The existence of more than one falsehood, together with a  
19 debtor's failure to take advantage of the opportunity to clear up all  
20 inconsistencies and omissions, such as when filing amended schedules, can

1 be found to constitute reckless indifference to the truth satisfying the  
2 requisite finding of intent to deceive.” *In re Khalil*, 379 B.R. at 175 (a  
3 significant number of falsehoods and omissions, together with the failure to  
4 amend the Schedules and Statement of Financial Affairs in the three years  
5 between the petition and trial, can constitute reckless indifference to the  
6 truth, which is evidence of fraudulent intent); *see also Martin Marietta*  
7 *Materials SW., Inc. v. Lee*, 309 B.R. 468, 477 (Bankr.W.D.Tex.2004)(the  
8 existence of more than one falsehood, together with a debtor's failure to take  
9 advantage of the opportunity to clear up all inconsistencies and omissions,  
10 such as when filing amended schedules, can be deemed reckless indifference  
11 to the truth satisfying the requisite finding of intent to deceive); *In re*  
12 *Topping*, 84 B.R. 840 (Bankr. M.D. Fla. 1988)(where assets of substantial  
13 value were omitted from debtor’s schedules, conclusion was warranted that  
14 omission was purposeful, with fraudulent intent to conceal assets).

15       20. The United States Trustee established by a preponderance of  
16 the evidence all the elements necessary to establish Debtors made false oaths  
17 on their schedules related to Sajid Ravasia’s income. During the month the  
18 Debtors filed their petition, January 2017, Sajid Ravasia earned less income  
19 than was typical because he took vacation days and did not see extra patients  
20 as he routinely did during other periods. In other words, the month of

1 January, 2017 was not a representative month for his income and the use of  
2 that single month, without consideration of his substantial annual bonus and  
3 his average income from most months, was fraudulent. The Ravasias' failure  
4 to amend the schedules with accurate information, after Sajid Ravasia's  
5 bonus was received in July, 2017, is sufficient evidence to establish the false  
6 oath was made fraudulently. The fact that Sajid Ravasia's income on  
7 Schedule I was misrepresented was evident to the Ravasias, and thus the  
8 false oath was made knowingly and fraudulently. The Ravasias additional  
9 failure to indicate on Schedule I, line 13 that Sajid Ravasia's income could  
10 increase, when the Ravasias knew that Sajid typically was paid a substantial  
11 "bonus" in July each year, is additional support for the finding of a material  
12 false oath, made knowingly and with the intent to deceive.

13 21. The Debtors' material misrepresentations of Sajid Ravasia's  
14 income in the 2019 Amended Schedules were made knowingly and  
15 fraudulently with an intent to deceive.

16 22. The United States Trustee also established by a preponderance  
17 of the evidence that Debtors knowingly and fraudulently made false oaths  
18 related to Debra Ravasia's reported income. By May of 2017, Debra Ravasia  
19 began to earn regular income, but the Ravasias failed to amend their  
20 Schedules and they failed to disclose her substantial income in the 2019



1 Amended Schedule I. The Ravasias' failure to amend the schedules with  
2 accurate information, after Debra began to earn regular income is sufficient  
3 evidence to establish the false oath was made fraudulently. The fact that  
4 Debra Ravasia's income on Schedule I was entirely omitted was evident to  
5 the Ravasias, and thus the false oath was made knowingly and fraudulently.

6 23. Because the advice of counsel is not a defense when the  
7 erroneous information should have been, and admittedly was, evident to the  
8 Debtors by July, 2017, and in light of the continuing nature of the duty to  
9 provide accurate schedules, the Debtors' false oaths related to both Debtors'  
10 income were made knowingly and fraudulently.

11 24. Additionally, the United States Trustee established by a  
12 preponderance of the evidence that the Debtors made a false oath by  
13 mispresenting their expected ongoing expenses. The Ravasias both  
14 acknowledged that the report of their expenses was inaccurate. The Ravasias  
15 knowingly provided false information and failed to amend their schedules  
16 with accurate information. This financial information is material and, under  
17 these circumstances, the failure to provide accurate information was  
18 knowing and fraudulent.

19 25. 11 U.S.C. § 706(b) permits a Bankruptcy Court to convert a  
20 Chapter 7 case to Chapter 11 over objection from the debtor when

1 conversion furthers the goals of the Bankruptcy Code. *In re Parvin*, 549  
2 B.R. 268, 271 (W.D. Wash. 2016). Factors the court considers include the  
3 debtor's ability to repay debt, whether the case is likely to immediately  
4 reconvert, and whether parties in interest would benefit from conversion.  
5 *Decker v. Office of the United States Tr.*, 548 B.R. 813, 817 (D. Alaska  
6 2015).

7         26. In what might have been an attempt to prevent the Chapter 7  
8 Trustee or the United States Trustee from moving to convert this case to a  
9 Chapter 11, the Ravasias adopted a zealous position regarding their financial  
10 reporting. However, their zealous actions amounted to fraud because, as  
11 discussed above, they intentionally made material misrepresentations about  
12 their income and expenses. These misrepresentations support the conclusion  
13 that the Ravasias are not entitled to a chapter 7 discharge. Nevertheless, in a  
14 subsequent chapter 11 proceeding, the Ravasias could possibly obtain debt  
15 relief after consummating a plan of reorganization that provides for the  
16 distribution of a portion of their income to their creditors.

## 17                                   **V. ORDER**

18         Based on the foregoing findings of fact and conclusions of law,

19         **IT IS ORDERED:**

1           1.     The United States Trustee's Rule 7015(b)(2) Motion to amend the  
2 pleadings to conform to the evidence (Adversary Case No. 17-80021, ECF No. 171)  
3 is **GRANTED**; and

4           2.     The Ravasias' Chapter 7 discharge of debts is **DENIED**.

5  
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7                               ///END OF ORDER///  
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